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Dear Reader,

In these times of turbulent change, where every day brings big and dramatic news, how should we define what is important and what is urgent? This month's issue is dedicated to HR professionals as they stand at the crossroads of a global economic crisis and a planetary emergency. The surprise: there is a role for them to play, one that they may have never been anticipated, and one waiting for them to take on.

This is an important issue for HR people, and if you want to learn more about it, we will be hosting a Webinar at the end of April on Sustainability and HR's new role. You will be receiving an invitation shortly.

Enjoy the reading!

Isabel Rimanoczy
Editor

Quote of the Month

*"Just when I had all the answers
they changed the questions. "*

Author unknown

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Crisis and Sustainability: Does HR have a role?

by Isabel Rimanoczy & Tony Pearson

Scarcely a day goes by without news about the impact the economic crisis is having on business, on our way of life, on our families and communities. Corporations face the challenge of doing more with less, of developing creative solutions to emerging consumer needs—and without incurring new costs. Organizations, globally, are compelled to identify how to increase efficiency, as they fight to retain their market position. Now, in addition, they are increasingly confronted by the worsening situation in many areas of our planet's environment. The pressure on our natural resources and the significant climate changes are affecting how we must do business.

A few decades ago, the traditional Personnel Department was renamed Human Resources Department (HR), and broadened its responsibilities. In addition to compensation and benefits and industrial relations, the new areas of accountability included recruitment, selection, training, communications, health and safety, corporate policies, performance appraisal, even management of change and succession planning. Increasingly HR became involved in strategic planning, and a key ally to senior management for the implementation of strategy, and developing a positive organizational climate. With a new generation of employees coming on board, HR was charged with the task to understand the values of Gen X, Y and the Millennials, in order to maintain the required levels of engagement, retention and offer a proper context to release the potentials and creativity of the employees.

But as we confront the current financial and environmental crisis, what are the new demands that these two substantial forces place on the HR departments? What does this new world scenario demand from the HR function?

The world, on April 1st, 2009

The global financial crisis has precipitated an economic tsunami that is shaking industry worldwide, threatening job security, and even creating national crises that can topple governments. Our planet is also painfully manifesting the results of human behavior over decades. Today, we have come to witness how weather is seriously impacting our lives, whether it is wild fires, droughts, hurricanes, heat or cold waves, or flooding. Medical scientists are reporting greater incidence of water-borne and temperature-related diseases in areas where none existed before. We have developed a lifestyle based on a use of natural resources, energy and water, that is simply unsustainable.

The challenge of energy

Seventy percent of the world's energy comes from fossil fuels, and we are emitting CO₂ at a net increase rate of 5000^[1] millions tons per year^[2]. The Kyoto Treaty goal was to reduce the emissions to a level of 3000 million tons/year by 2012. The latest computer simulations however indicate that achieving this goal will not succeed quickly enough in stopping the warming of the planet. As a consequence, the International Panel for Climate Change, the world's authority in climate studies, has convened a session in December 2009 in Copenhagen to review the Kyoto Treaty. It is unthinkable that we will solve the problem unless we change our patterns of domestic, public and industrial energy consumption, and the way we transport goods and people.

The challenge of water

One fifth of the world population has no access to clean water. Half of the 500 major rivers in the

world are either seriously contaminated by untreated dumping of industrial waste, or are drying up.^[3] (UNEP, 2009) In Europe, six in every ten cities with more than 100,000 people are using their groundwater supplies at a faster rate than they are being replenished^[4]. Farming is responsible for 70% of water consumption, but industries are heavy users too. A liter of Coca-Cola requires 200 liters of water in the production process, a fact that led the soft drink company to champion a movement in the beverage industry to review and transform the way they produce. According to a recent report by Goldman Sachs the consumption of water is expected to continue doubling every two decades, but the reserves are not. Global warming is increasing evaporation rates across much of the planet. Today's panic over the economic crisis could be minor in comparison with tomorrow's threat of water scarcity, according to a recent report from JPMorgan^[5]. The handwriting on the wall clearly indicates that something has to change in how we consume water in industry, and at home.

The challenge of the Earth's natural resources

It is as though we have adopted a "take-make-waste" mantra, consuming our natural resources at the rate of 1.33 planets; at our current rate of consumption we would need one planet and a third to live in a sustainable fashion, and we are doing this by depleting renewable and non-renewable resources. At the same time, the daily waste generated in the US is estimated at one ton per capita. As of 2007 ninety percent of the industrial raw materials processed annually in the United States went to landfills without being recycled. A third of the planet's forests have disappeared in the last 50 years, and since forests play a key role in CO₂ absorption, deforestation is contributing to climate change. The acidification of the oceans due to increased absorption of CO₂ has caused the degradation of 40% of the world's coral reefs, which are a key link in the chain of life. Over 70% of the world's fishing grounds are over-fished, and this is causing the collapse of coastal economies. As a consequence, population migrates to cities, which are unable to employ and lodge them, and so homelessness rates increase. One in four (1.4 billion people) were living on less than US\$1.25 a day in 2005^[6] and new poverty estimates published by the World Bank reveal that at least 80% of humanity lives on less than \$10 a day.^[7] The message is that the way we use natural resources is unsustainable, and has a systemic impact on health, poverty, peace and economic stability. Our current way of life is framed in the short term: our goals are instant gratification and immediate results. This is the unsustainable context in which our corporations are operating.

What does all this mean for the HR function?

CSR (Corporate Social Responsibility), which was once seen as an "image" or PR issue, has become a new source of business opportunities, operational efficiency and new sources of revenue. Willard (2002) identifies seven areas of potential benefit:

1. Reducing recruiting costs
2. Reducing attrition costs
3. Increased employee productivity
4. Reduced expenses in manufacturing
5. Reduced expenses at commercial sites (energy, water, consumables)
6. Increased revenue/market share
7. Reduced risk, easier financing

HR as we know it is directly involved with recruitment, retention and productivity of the workforce. However we are in an unfamiliar landscape now and the critical situation seeks new leadership to navigate through the changes. Who is better prepared than HR/OD, when it comes to dealing with organizational values, culture, and change?

HR is in a strategically important position; it is connected to all functions, and has the necessary experience to handle organizational change, to help in the implementation of new strategies and even in providing the right context to foster creativity and innovation. HR is focused on heightening levels of employee engagement, in assessing performance and exploring new ways to develop the needed competencies and mindsets throughout the organization.

The specifics of this challenge

The domain of sustainability and its demands are probably unfamiliar to the HR function, since the initiatives in many corporations have been led by the CEO, PR professionals, some line managers in other cases, or by the newly created position of CSR officers. But as a study reports^[8], "because of the lack of HR involvement in most sustainability efforts, many organizations are making many unnecessary implementation mistakes".

HR can step up and make a key contribution by providing information and educational resources to develop awareness among the workforce of the importance of sustainability, and what it means for each functional area of the corporation. As a 2007 study conducted by researchers from Fairleigh Dickinson University indicates^[9], this can be accomplished by generating the conditions for dialogue, so that all employees understand and agree on what sustainability means, what the corporate goals are—and what they could be—and then developing the competencies and skills among all levels of management required to achieve those goals. By building understanding and consensus, the organization can develop a common language, so that every individual becomes aware of how their daily business decisions impact the organization in terms of sustainability. The shared experience can leverage the emotional sense of belonging to a community that has agreed to base its actions on higher values, something particularly valuable in times of uncertainty and raised levels of work-related stress.

Engaging the top leadership to get their support in discovering bottom line opportunities is an important step, although not all initiatives originate at the top. Many line managers have been able to make innovative contributions that had an impact on the triple bottom line (profits, people and planet). OD professionals can take on the role of generating reflective practices to improve organizational effectiveness and learning; these can result in shifting the culture towards a sustainability-minded business culture—one that focuses on creating efficiencies that save money and are good for the planet at the same time. Solutions resulting from process redesign not only can result in lowered costs but reduced impact on the environment, and these make a strong business case for sustainability.

Further, a great deal of progress can be achieved through training and development. As it came out at the 2006 Conference of Business as an Agent for World Benefit, hosted by Case Western University, action learning is one of the recommended designs to develop sustainability related leadership competencies and solve current business challenges at the same time. Programs designed with the Action Reflection Learning (ARL) methodology are well suited, since the adult learning principles^[10] create a learning context that optimizes the developmental effort.

In summary

The context in which HR has to operate has radically changed in this first decade of the 21st century, and the challenges demand that corporations change how they conduct business. HR has the possibility to redefine its responsibilities, to fill a much needed leadership role, and to provide support and guidance at a time where there are few roadmaps and few experts. By building the capabilities that enable organizational change, from an economic, social and environmental perspective, HR professionals have a major contribution to make, as a way to achieve a new competitive advantage for their organization.



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- ^[1] Corresponds to 5 billion tons in US American terms.
- ^[2] Senge, P., Smith, B., Kruschwitz, N., Laur, J., Schley, Sara (2008) *The Necessary Revolution: How individuals and organizations are working together to create a sustainable world*. New York: Doubleday, p.26
- ^[3] United Nations Environment Program – Fresh Water. <http://www.nvo.unep.org/caf/caffw.pdf>
Retrieved March 1, 2009
- ^[4] Source European Environmental Agency, reported in WBCSD Nov 13 2008 <http://tinyurl.com/WBCSD-Water>
- ^[5] WBCSD Nov 13, 2008, op.cit
- ^[6] World Bank Updates Poverty Estimates for the Developing World, Nov 3, 2008. (<http://tinyurl.com/World-Bank-Poverty>)
- ^[7] Shaohua Chen and Martin Ravallion, The developing world is poorer than we thought, but no less successful in the fight against poverty (<http://tinyurl.com/World-Bank-Developing>), World Bank, August 2008. Retrieved March 11, 2009 <http://www.globalissues.org/article/26/poverty-facts-and-stats>
- ^[8] Hitchcock D. & Willard M. (2006). *The Business Guide to Sustainability: Practical Strategies and Tools for Organizations*. London: Earthscan.
- ^[9] Wirtenberg, J., Harmon, J., Russell, W.G., Fairfield, K.D. HR's Role in Building a Sustainable Enterprise: Insights from Some of the World's Best Companies. *Human Resources Planning* 30.1.2007 p 10-20. Retrieved March 1 2009 <http://view.fdu.edu/files/hrrolesustpaper.pdf>
- ^[10] See 10 Learning Principles of ARL <http://www.limglobal.net/readings/70.htm>
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